

## Message Text

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SUBJECT: THE EUROPEAN COMMUNITY AFTER THE LUXEMBOURG MEET-  
ING AND POMPIDOU'S DEATH

1. FOLLOWING IS INR ASSESSMENT OF STATE OF EC AND US-EC  
RELATIONS AFTER THE CONCLUSION OF THE APRIL 1-2 MEETING OF  
THE EC FOREIGN MINISTERS IN LUXEMBOURG.
2. THE MEETING WAS MARKED BY A STRONGLY VOICED UK DEMAND  
FOR RENEGOTIATION OF TERMS OF BRITISH MEMBERSHIP, BY  
CALLAGHAN'S GRATUITOUS ATTACK ON THE SACRED COW OF 'EUROPEAN  
UNION BY 1980', BY THE UNANIMOUS OPPOSITION OF THE OTHER

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EC MEMBERS TO THE BRITISH, AND BY A UK-FRANCE STALEMATE

OVER THE INITIATION OF EC-ARAB COOPERATION BECAUSE OF BRITISH INSISTENCE ON PRIOR EC-US CONSULTATION. POMPEO'S DEATH CUT THE MEETING SHORT AND PRACTICALLY GUARANTEED THAT POLITICAL DECISIONS BY THE EC NINE WILL BE PLACED IN ABEYANCE PENDING THE OUTCOME OF THE FRENCH PRESIDENTIAL SUCCESSION IN MAY. IN THE MEANTIME, HOWEVER, GIVEN THE UK'S STATED RESERVATIONS ABOUT ULTIMATE EC OBJECTIVES, LONDON'S EC PARTNERS WILL BE BENDING EVERY EFFORT, AS THEY FRAME THEIR OWN TACTICS, TO DETERMINE HOW MUCH OF BRITAIN'S NEGOTIATING POSITION IS BASED ON DOMESTIC POLITICS AND HOW MUCH ON GENUINE OBJECTION TO ESTABLISHED EC OBJECTIVES.

3. RENEGOTIATION OF UK MEMBERSHIP: ALTHOUGH SPECIFIC UK PROPOSALS FOR CHANGES IN EC POLICY ARE STILL BEING DRAWN UP, CALLAGHAN INDICATED THAT THEY WOULD CONCERN, INTER ALIA, THE CAP, FOOD IMPORTS FROM THE COMMONWEALTH AND THE LDC'S, AND BRITAIN'S CURRENTLY EXPECTED RATE OF CONTRIBUTION TO THE EC BUDGET. CALLAGHAN ATTEMPTED TO CUSHION BRITISH DEMANDS FOR "RENEGOTIATING" THE TERMS OF UK ENTRY INTO THE EC BY ASSURING HIS COLLEAGUES THAT THE UK WILL SEEK TO PURSUE NEGOTIATIONS WITHIN THE EXISTING EC PROCEDURAL FRAMEWORK AND WILL NOT WISH "TO DISRUPT THE WORK OF THE COMMUNITY MORE THAN IS NECESSARY." NEVERTHELESS, HIS ATTACK ON "DANGEROUSLY OVER-AMBITIOUS" PLANS FOR MONETARY UNION AND HIS NEGATIVE ATTITUDE TOWARD THE GOAL OF SOME FORM OF POLITICAL UNION BY 1980 ENGENDERED STRONGLY NEGATIVE REACTION AND RAISED THE QUESTION OF WHETHER THE OTHER EC MEMBERS WILL BE WILLING TO ACCOMMODATE UK DEMANDS UNLESS THE BRITISH ADOPT A MORE LOYALIST TONE TOWARD THE EUROPEAN VENTURE.

4. TO FRG POLITICAL DIRECTOR VAN WELT, THE BRITISH SEEM "COMPLETELY OUT OF TOUCH WITH REALITY AND WITH THE WORKINGS AND MENTALITY OF THE COMMUNITY." SCHEEL, WHO IS NORMALLY INCLINED TO COMPROMISE, INSISTED THAT THE FRG AND THE EC WOULD NOT BE DIVERTED FROM THE ULTIMATE OBJECTIVE OF EUROPEAN UNION, AND THE HARSH TONE OF CALLAGHAN'S ADDRESS WAS MATCHED BY EQUALLY HARSH REBUTTALS FROM THE OTHER EIGHT FOREIGN MINISTERS, PARTICULARLY JOBERT AND MORO. THE GERMANS MADE IT CLEAR THAT IF BONN

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HAS TO CHOOSE BETWEEN A PARALYZED COMMUNITY INCLUDING THE BRITISH, OR AN ACTIVE COMMUNITY WITHOUT THEM, IT WOULD OPT FOR THE LATTER. THERE WAS AGREEMENT THAT THERE COULD BE NO CHANGES IN THE EC TREATIES TO ACCOMMODATE UK DESIRES.

5. CHANGING THE BUDGETARY COMMITMENT WITHOUT AMENDING THE TREATY OF ACCESSION WILL BE PARTICULARLY DIFFICULT.

THE EC PARTNERS OF THE UK HOPE THAT THE COMBINATION OF TIME, THE INFLUENCE OF THE UK BUREAUCRACY, AND BRITISH AWARENESS OF UK INTERDEPENDENCE WITH THE CONTINENT WILL LEAD TO INCREASED FLEXIBILITY BY LONDON.

6. EC-ARAB COOPERATION AND EC CONSULTATION WITH THE US: CALLAGHAN STRONGLY DEFENDED THE US ON THE CONSULTATION ISSUE. EFFORTS TO GAIN APPROVAL FOR THE DELIVERY OF THE COMMUNITY'S AIDE-MEMOIRES ON EC-ARAB COOPERATION TO THE 20 ARAB CAPITALS FAILED BECAUSE OF A BASIC LONDON-PARIS DISAGREEMENT ON THE NECESSITY TO CONSULT THE US. THE

BRITISH FOUND BROAD SUPPORT FROM ALL THE OTHER MEMBERS EXCEPT FRANCE, WHICH WOULD NOT YIELD SUFFICIENTLY FOR LONDON TO GIVE THE GREEN LIGHT FOR RELEASE OF THE AIDE-MEMOIRES. JOBERT OPPOSED THE PROPOSAL THAT THE EC PRESIDENCY ALONE BE CHARGED WITH MAINTAINING CONTACT WITH THE US DURING THE COURSE OF THE EC-ARAB DIALOGUE, ON THE GROUNDS THAT SUCH DECISIONS TO CONSULT COULD BE TAKEN ONLY AT MINISTERIAL LEVEL. THE RESULTING STALEMATE PROBABLY FURTHER POSTPONES ANY ACTION BY THE EC ON THIS FRONT, AT LEAST UNTIL THE NEXT POLITICAL CONSULTATIONS OF THE NINE FOREIGN MINISTERS, NOW UNLIKELY TO OCCUR UNTIL AFTER THE FORMATION OF A NEW FRENCH GOVERNMENT.

7. ARTICLE XXIV:6: THE COUNCIL APPROVED FURTHER STUDY BY THE COMMISSION OF US DEMANDS FOR FAIRER TREATMENT ON THE COMPENSATION NEGOTIATIONS. THE QUAI HAS INFORMED EMBASSY PARIS THAT, ALTHOUGH FRANCE WAS NOT PREPARED TO GO ALONG WITH THE ENTIRE US REQUEST LIST, IT FULLY CONCURRED IN THE DECISION TO AUTHORIZE SOAMES TO MOVE AHEAD. WEST GERMAN OFFICIALS ARE STRESSING THAT COUNCIL DECISION WAS AN EXPRESSION OF POLITICAL WILL TO REACH  
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AGREEMENT AND TAKES US VIEWS INTO ACCOUNT. THE FRENCH INDICATED, AND GERMAN OFFICIALS CONFIRM, THAT PARIS IS PREPARED TO INTRODUCE A NEW ELEMENT INTO THE NEGOTIATIONS. JOBERT SUGGESTED, REPORTEDLY ON THE SPUR OF THE MOMENT, THAT THE ARTICLE XXIV:6 NEGOTIATIONS BE EXPANDED TO INCLUDE SOME PROVISION FOR IMPROVED TREATMENT OF FRENCH COGNAC, STILL SUBJECT TO US RETALIATORY TARIFF RATES AS A RESULT OF THE "CHICKEN WAR" OF THE EARLY 1960'S.

8. OTHER AGENDA ITEMS: THE COUNCIL TOOK A LESS GLOOMY VIEW OF THE STATE OF THE COMMUNITY THAN DID THE COMMISSION IN ITS RECENT STATEMENT. THE MINISTERS TOOK A LOW-KEY APPROACH TO ISSUES IN THE UPCOMING UNGA SESSION, BUT DID INSIST THAT MEMBER STATE AID PROGRAMS TO THE LDC'S BE AT LEAST MAINTAINED AT PRESENT LEVELS. THE COUNCIL CON-

SIDERED THE CHEYSSON PROPOSOL FOR ASSISTING THOSE LDC'S MOST ADVERSELY AFFECTED BY REQENT INCREASES IN RAW MATERIALS AL PRICES AND AGREED THAT FOREIGN MINISTER SCHEEL WILL INDICATE AT NEXT WEEK'S UNGA SPECIAL SESSION THAT THE EC IS READY TO PARTICIPATE IN NEGOTITIONS OF INTERNATIONAL EMERGENCY AID EFFORTS. HOWEVER, THE COMMUNITY WILL NOT TAKE ANY INITIATIVE, NOR DOES IT PLAN TO MAKE ANY PROPOSALS, ON THE SIZE OF SUCH AN AID EFFORT. DISCUSSIONS WITH THE AFRICAN, CARIBBEAN, AND PACIFIC ASSOCIABL STATES WILL BE REMOVED FROM HIGH-LEVEL CONSIDERATION, UNTIL THE UK RENEGOTIATION ISSUE CAN BE SETTLED.

9. OUTLOOK: FOR THE MOMENT, THE PROBLEMS POSED BY THE UK RENEGOTIATION EFFORT, UK RESERVATIONS ABOUT PROCEEDING WITH THE ARAB DIALOGUE PRIOR TO COORDINATION WITH THE US, US DISSATISFACTION WITH THE LACK OF A CONSULTATIVE RELATIONSHIP W-TH THE EC, AND FUTURE FRENCH ATTITUDES TOWARD THE EC MUST ALL TAKE A BACK SEAT WHILE AWAITING THE UPCOMING FRENCH ELECTION, SCHEDULED FOR MAY 5 AND 19. I, IS NOT IMPOSSIBLE THAT THE POST-POMPIDOU PARIS LEADERSHIP COULD SOFTEN PAST FRENCH INTRANSIGENCE TOWARD CHANGES IN THE INTERNAL EC DECISION-MAKING PROCESS AND ON OTHER CONTENTIOUS ISSUES. WHEREAS, IN THE RECENT PAST, SUCCH A FRENCH SHIFT WOULD HAVE GIVEN A NEEDED BOOST TO COMMUNITY EFFORTS TO PUSH TOWARD THE AS YET UNDEFI ED GOAL OF EUROPEAN UNION, THE BRITISH LABOR GOVERNMENT NOW SEE S  
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DETERMINED TO THWART ANY SUCH DEVELOPMENT IN ANY CASE. THIS CONTINUING BRITISH CHALLENGE TO EC POLITICAL OBJECTIVES, BY CRYSTALLIZING COMMUNITY OPINION AGAINST LONDON, COULD WELL MAKE EVEN MORE DIFFICULT THE RENEGOTIATION OF UK ACCESSION TERMS, WHICH ARE THE PROBLEM NOMINALLY ON THE TABLE.

10. AT THE SAME TIME, THE QUESTION ARISES WHETER THE UK GENUINELY IS AS DETERMINED TO GET OUT OF EC IF ITS DEMANDS FOR RENEGOTIATION ARE NOT MET AS CALLAGHAN'S SPEECH SUGGESTS. SOME OBSEVERS, BOTH BRITISH AND FOREIGN, INDEED BELIEVE IN THE BRITISH LINE AS STATED. HOWEVER, CALLAGHAN HIMSELF HAS TOLD LUXEMBOURG FOREIGN MINISTER THORN THAT MINORITY LABOR GOVERNMENT'S DOMESTIC CREDIBILITY MAKES IT NECESSARY FOR "CERTAIN UNPLEASANT" THINGS TO BE SAID. SOME OBSERVERS FIND IT ALTOGETHER PLAUSIBLE, THEREFORE, THAT THE TONE AND SCOPE OF CALLAGHAN'S LUXEMBOURG SPEECH REPRESENTS ONLY AN INITIAL HARD BRITISH BARGAINING POSITION, WHICH MUST BE FAIRLY EXTREME IF LONDONHOPES TO BE TAKEN SERIOUSLY BY THE OTHER EIGHT.

11. I IS PROBABLE THAT BOTH CALLAGHAN AND WILSON WOULD

PREFER TO REMAIN WITHIN THE EC FOR BROAD FOREIGN POLICY REASONS, SUCH AS BRITAIN'S NEED FOR CONTINENTAL ECONOMIC SUPPORT AND BRITAIN'S WISH TO PLAY AN INTIMATE ROLE IN FRANCO-GERMAN RELATIONS. HOWEVER, BOTH MEN ABOVE ALL WANT TO MAINTAIN LABOR IN POWER; AND THEY WILL NOT JEOPARDIZE LABOR'S PROSPECTS IN THE ELECTION THAT MUST PROBABLY COME BEFORE YEAR'S END IF THE COMMON MARKET ISSUE

DEVELOPS IN SUCH A WAY AS TO MAKE CONTINUED UK MEMBERSHIP A GREAT POLITICAL LIABILITY. THUS MATTERS ARE IN A MOST UNRESOLVED AND FLUID STATE, AND THE ACTIONS OF THE UK ITSELF, THE OTHER EIGHT, AND EVEN THE US CAN ALL HAVE A SIGNIFICANT IMPACT ON THE FINAL OUTCOME.

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